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**Legislator Open House Slideshow Presentation,
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Recommended Citation

Maine Office of the State Auditor, "Legislator Open House Slideshow Presentation, 2006" (2006). *Auditor's Documents*. Paper 69.
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Legislator Open House

Maine Department of Audit

Neria R. Douglass, JD, CIA, State Auditor
February 8, 2006

MISSION STATEMENT

- The Department of Audit assures that government is accountable and that taxes paid by the citizens of the State of Maine are spent legally, recorded properly, and reported fairly.

Independence of Audit

- Independent, non-partisan agency
- Responsible to the Legislature
- Assesses compliance by the Executive Branch
- May audit all accounts of state government including judiciary
- May audit counties, municipalities
- May serve Legislature, its committees, or Governor investigating State's finances
- May audit accounts of any entity receiving state grants

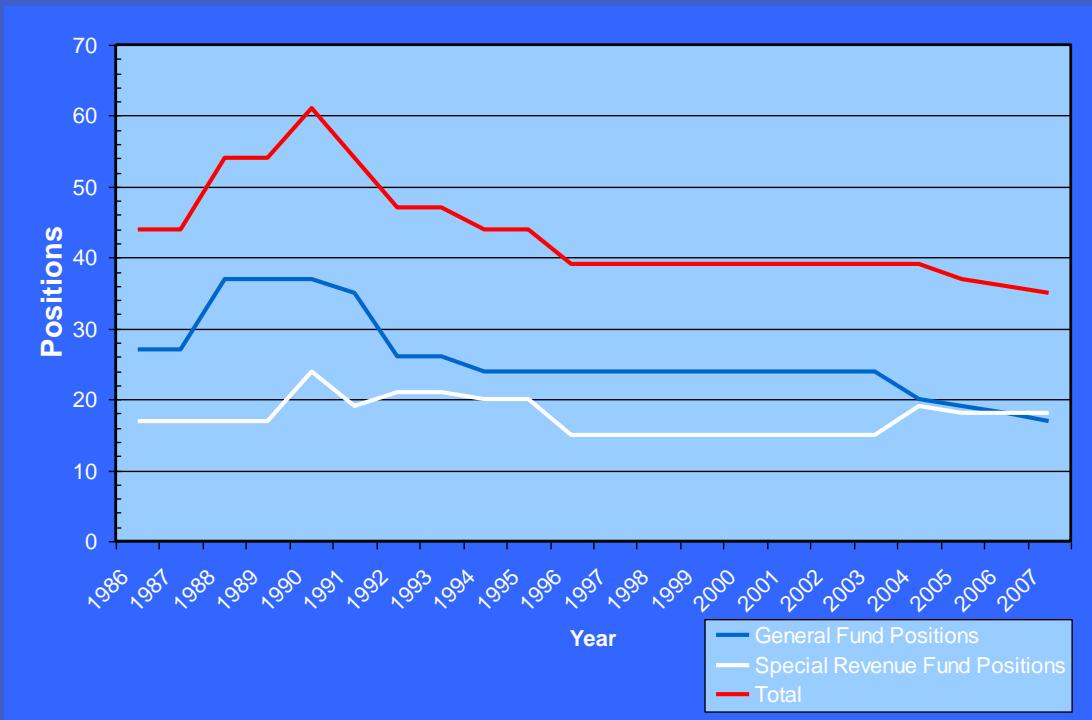
State Auditor's Goals for 2006

- Good communication with Legislators, Governor & state agencies
- Timely financial and compliance audits
- Implement Information Technology audits
- Cooperative efforts with OPEGA/OSC
- Fraud Hotline
- “Data mining” audits of electronic systems
- Conduct audits looking for fraud, waste and abuse

Audit Staff

- Auditor institutional knowledge of **210 years**
- Entire staff has **355 years** of service
- Audit work **saves costs** if additional federal funds may be claimed
- Audit work **prevents** future questioned **costs**

Audit Staff Position History



- The total positions in 1990 were 61 and will have been reduced to 35 in FY07.
- While the number of Special Revenue Fund positions is unchanged, the General Fund positions decreased most with elimination of municipal and court audit positions in 1986. Others were cut from 2003 to 2007.

Cost Savings

Improved Management Examples

- \$8+ Million state maintenance of effort in TANF reimbursed by federal grant 2000-2003
- \$2 Million allowable expenditures in Food Stamps offset questioned costs
- Sizable state costs reimbursable with accurate Cost Allocation Plan
- \$1 Million (approximate) federal reimbursement available to Unemployment Compensation Trust
- DOT heavy equipment contracts with DOT employees ended

Audit Staff

- Praise from federal auditors in 2005 (Quality Control Review--QCR)
- Peer review by National State Auditors Association (NSAA)
 - 2004, 2001, 1998 highest rating possible—unqualified opinion with no letter of comments
- Unparalleled professional assessment of program compliance and financial statement presentation
- Audit findings form basis of other investigations
 - Adoption Assistance audit
 - Migrant Education audit

Staff at other Agencies from Audit

- State Controller
- Deputy State Controller
- Manager Financial Reporting
- Director of Internal Audit
- Office of Fiscal Program Review
- Financial Management Coordinators
- Budget Analyst
- Audit Analyst
- Staff Accountant
- Director of Special Projects
- Rehab Services Manager
- Director of Budget/Fiscal Operations
- others

Audit Staff Certifications

- 9 Certified Public Accountants (CPA)
- 11 Certified Internal Auditors (CIA)
- 2 Certified Information Systems Auditors (CISA)
- 2 Doctors of Jurisprudence (JD)
- 3 Masters of Business Administration (MBA)
- 3 other advanced degrees--Masters in Accounting

Certified at Audit, now at Other Agencies

- 10 former Department employees working for other state agencies became certified while working at Audit
 - 7 CPAs
 - 4 CIAs
 - 1 CFEs

Audit Staff

- Audit Bureau
 - 28 Auditors
 - 1 Municipal Outreach
 - 1 Business Manager
 - 1 Administrative Assistant
- Unorganized Territory
 - Fiscal Administrator
 - 1 Clerk

Continuing Professional Education

- Generally Accepted Government Auditing Standards (GAGAS) require auditors to have 80 hours Continuing Professional Education (CPE) every 2 years
- At least 24 of 80 hours must be related to government auditing
- At least 20 of 80 hours must be completed in each year
- Peer review by other state auditors every 3 years

2005 Financial Audit

- The Department of Audit completed fieldwork on the FY 2005 financial statements on December 9, 2005
- 99 days earlier than last year
- 150 days earlier than 2003 Audit

GFOA Award for Excellence for 2005 Financial Audit (CAFR)

- The State of Maine is eligible for the Government Finance Officers Association (GFOA) Certificate of Excellence Award
- First time ever eligible because of the *excellent* work of Audit Staff, working in cooperation with Office of the State Controller
- Comprehensive Annual Financial Report (CAFR)

Congratulations

BRAVO AUDIT
and
CONTROLLER STAFF!

Communication

A priority of my Administration as State Auditor is to improve the communication of audit findings to all interested parties. I have or will meet with the various Committees of Jurisdiction to report and discuss those findings relating to the policy areas covered by the Committees.

2005 Single Audit

- Audit examines the State's financial statements, internal control systems and compliance with laws and regulations.
- We will report on 25 individual federal programs or program clusters in FY 2005.
- We audited 25 program or program clusters for FY 2004.

2005 Single Audit

- The Single Audit for FY 2005 is on target for completion by March 31, 2006
- FY 2005 Single Audit will be issued **91 days** earlier than FY 2004 Single Audit
- Audit completed the FY 2004 Single Audit **30 days** earlier than the prior year
- *Audit improved performance by **121 days** over 2003 while keeping the highest quality standards*

2004 Single Audit

- The Maine Department of Audit performed the 2004 Single Audit, qualifying the state to receive over **\$2.6 Billion (FY 2004) in federal assistance** for specific grants and programs.
- We audited programs that comprise 91% of that amount.

2004 Single Audit

- 81 findings:
 - 77 reportable conditions (internal control and/or noncompliance with federal requirements);
 - 8 are material weaknesses (internal control and compliance) resulting in a qualified opinion for 3 federal programs;
 - 4 financial statement findings (capital assets, lottery receivables, interfund payables, receivables & transfers).

2004 Single Audit

- Field work for the FY 2004 Financial Statement Opinion was completed as of March 18, 2005: it was reported April 15, 2005
- **51 days earlier than the prior year**

2004 Single Audit

- The 2004 Single Audit Report was complete as of May 16, and issued June 30, 2005
- **30 days earlier than the previous year.**

2004 Single Audit

- A copy was delivered to the Governor, each State Legislator, the State Law Library, each Commissioner, agency accountants, and the federal government.
- The report was posted on the internet at:

<http://www.maine.gov/audit/reports.htm>

2000-2004 Single Audit

- Audit reports for the years 2000 – 2004 are posted on the internet at:

<http://www.maine.gov/audit/reports.htm>

Delivery of 2004 Single Audit

- To personally communicate findings, the State Auditor met with:
 - The Governor,
 - President of the Senate,
 - Speaker of the House of Representatives,
 - Commissioner of Health & Human Services,
 - Commissioner of Administrative & Financial Services
 - Committee on Health & Human Services
 - Committee on Appropriations & Financial Affairs

Agreed-upon Procedures

Baxter State Park Authority

Resulted in changes to procedures in the areas of –

- cash deposits to banks
- accounting for cash receipts
- access to computer systems
- inventory control

Agreed-upon Procedures

Capital Riverfront Improvement District

Performed tests relating to –

- bank account reconciliations
- authorized check signers
- cash transfers
- reporting to the Standing Committee on State and Local Government

Agreed-upon Procedures

Maine Science and Technology Foundation

Performed analyses that resulted in the elimination of the
Maine Science and Technology Foundation

Agreed-upon Procedures

Migrant Education Program

In response to a joint request from the U.S. Department of Education, and the Maine Department of Education we performed tests on procedures used to re-determine eligibility for the Maine Migrant Education Program.

Agreed-upon Procedures

Workers' Compensation Board

Performed tests of compensation rates included on weekly benefits compensation rate tables

2005 CAFR/Financial Statements

- An **unqualified opinion** on Maine's financial statements effective December 9, 2005, means a **“CLEAN”** opinion: the State of Maine's financial statements fairly present its financial position and the results of operations for the year ended June 30, 2005.
- Third consecutive year with no qualification of the financial opinion reflects improvements in accounting & financial reporting.

2004 CAFR/Financial Statements

- An **unqualified opinion** on Maine's financial statements effective March 18, 2005, means a "CLEAN" opinion: the State of Maine's financial statements fairly present its financial position and the results of operations for the year ended June 30, 2004.

2004 Single Audit Summary

- We audited 25 programs in FY 2004 that covered \$2.4 Billion in federal assistance, of which 11 were DHHS programs that covered \$1.8 billion
- **Qualified opinion on compliance** with federal regulations for 3 programs: Foster Care, Social Services Block Grant and the Child Care Cluster.

2004 Single Audit Summary

- The State administers over 300 different federal programs, 82 of them at DHHS.
- Of 25 (\$2.4 B) programs audited, 22 programs were in compliance in all material respects, although we identified 77 control deficiencies.

2004 Single Audit Summary

- \$17.9 Million of the \$18.7 Million in questioned costs in the Single Audit for FY 2004 are in DHHS
- Other questioned costs at DOL and DAFS

2004 Single Audit

Number of Findings by Problem Areas

- 81 findings reported in total, 77 of which are federal findings, 4 of which are financial:
 - 19 -- Financial management & reporting
 - 5 -- Eligibility
 - 13 – Allowability
 - 6 -- Information systems, 4 at DHHS
 - 13 -- Management of federal cash
 - 8 -- Subrecipient monitoring
 - 13 -- Other compliance issues & errors
 - 4 -- Financial

Other Comments

- The Department of Audit performed several more audits in 2005: ACES, purchasing cards, and cash.
- An audit is critical: good news exists but is not reported.

Unorganized Territory Role of Fiscal Administrator

- “Town Manager” of the unorganized territory
- Oversees all financial aspects of the unorganized territory
- Reports to the Joint Standing Committee on Taxation
- Prepares annual Municipal Cost Component (MCC) legislation for Taxation Committee
 - MCC outlines county and state level budgets for the unorganized territory with identified revenues
- Attends hearings, prepares and gives testimony, follows and works any and all legislation that affects the Unorganized Territory Tax District financially

Unorganized Territory

Role of Fiscal Administrator

- Serves as an advisor on unorganized territory issues for taxpayers, legislators and their staff, counties, press, and municipalities who provide contracted services to the unorganized territory
- Prepares and issues the annual financial report of the Unorganized Territory (available online)
- Ensures that a yearly independent audit of the state level unorganized territory financials is done in accordance with the Maine statutes
- Reviews the unorganized territory county audits for pertinent information and reports any errors in the reported information

Unorganized Territory Role of Fiscal Administrator

- Chairs the State *Commission on Municipal Deorganization*
 - Provides information and assistance to municipalities who are considering deorganization throughout the entire process
 - Drafts and works legislation with regard to any deorganization issue
 - **NOTE:** Three municipalities have deorganized in the past thirteen years, with another 20 municipalities who have begun the process, but have failed to deorganize
- Member of the Legislative *Unorganized Territory Study Commission*

UT Fiscal Administrator Role to County Commissioners

- County Commissioners act as agents for the townships located within their county boundaries and contract for certain municipal level services for these townships
- County commissioners are advised with regard to the laws that affect the unorganized territory, and year to year changes that occur
- Nine counties prepare a separate unorganized territory services budget annually: Aroostook, Franklin, Hancock, Kennebec, Oxford, Piscataquis, Penobscot, Somerset and Washington Counties

UT Fiscal Administrator Role to County Commissioners

- The role of the Fiscal Administrator is to review, analyze and investigate these budgets and work with the commissioners to understand the budgets and make suggestions to the commissioners regarding these budgets.
- The fiscal administrator also investigates any unorganized territory taxpayer complaints regarding the services provided or financial issues at that level.

Municipal Outreach Program

- Created in response to a request from the Joint Standing Committee on State and Local Government to address municipal excise tax fraud
- Developed and presented an educational program designed to strengthen internal controls over cash handling and reporting procedures
- Performed on-site observations of approximately 300 municipalities in the State and
 - issued reports with recommendations for improvements
 - tested and reported on compliance of selected State statutes
 - tested excise tax collections & reporting, found one fraud

Municipal Continued

- Analyzed municipal financial reports to determine whether or not they could be used for reporting information to the U.S. Census Bureau per LD 900
- Testified on LD 1713. If passed this law would require the Department of Audit to work with other interested parties to establish a uniform chart of accounts for all governmental entities in Maine.

Conclusion

Thank you Legislators!

***We are glad you came to learn about
the Maine Department of Audit***